The Action Committee on the Rural Economy (ACRE):

Phase II

Interim Recommendations For Public Consultation

November 2004

Over the past four years ACRE members have spent a lot of time and energy examining the rural economy. We have made a total of 185 recommendations to government on various aspects of the rural economy. As a result, we have seen some improvement in rural communities throughout the province.

With the completion of Phase 1, ACRE began Phase 2 by forming four new subcommittees to examine additional issues we felt were of great importance to our rural economy. As a result of many hours of deliberation, including consultations with numerous stakeholders to provide well informed decisions on these issues, the subcommittees have drafted recommendations that will be presented to the provincial government. Before we submit these recommendations, we must consult with those stakeholders who are the closest to rural issues: rural residents. We appreciate your interest in our work, and ask you to take the time to read through the documents and provide your comments to our ACRE members.

Audrey Horkoff
ACRE Co-Chair

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About ACRE: Phase I

The original 43 member of the Action Committee on the Rural Economy first met in the fall of 2000. As representatives of various organizations we were appointed by government, to represent all aspects of the rural economy. At our first meeting we discussed our mandate: to work at the grassroots level to identify solutions for the economic future of rural Saskatchewan. After spending four years working together and considering the future of rural Saskatchewan, we believe we are making progress.

In the first phase of ACRE, we divided into subcommittees to take in-depth looks at specific areas of the rural economy. Once these subcommittees had a chance to draft reports, we traveled around Saskatchewan to share these reports and consult with those people closest to the challenges of the rural economy: rural residents. For the most part, rural residents agreed with our analysis, and concurred with the recommendations we had developed.

In total, we presented 185 recommendations to the Government of Saskatchewan. Since then, we have seen some real progress. Government has directly responded to the majority of our recommendations. For example, there have been changes to Farm Land Ownership Regulations, gas and oil royalty structures, Corporate Capital taxation policies, improved cell phone coverage and high speed internet service for rural communities. We believe we are helping to provide a more competitive business environment in rural Saskatchewan. However, work on many of our recommendations will be ongoing and we expect government to continue their efforts implementing and improving those areas we identified.

In Phase 1 of ACRE we determined changes must come not only from the Provincial government, but from within our rural communities. We believe that this change has begun, and *all* Saskatchewan residents reflect a more positive attitude. Other groups, such as Agrivision, the Saskatchewan Chamber of Commerce and Rotary Clubs have done a commendable job of promoting Saskatchewan successes; individual communities are taking it upon themselves to find opportunities to improve their local economies, and to make their towns a better place to live for current and prospective residents.

It is with this history that we began Phase II of the ACRE process.

ACRE: PHASE II

There are two major segments in our second phase of work. First we will continue to monitor the progress of the government as it implements its *Rural Strategy*.

The second part of our mandate is to further examine the rural economy and formulate recommendations where we see a need. In the summer of 2003 four ACRE subcommittees were established to focus on specific issues which included:

- Business development;
- Crown lands,
- Infrastructure, and
- Rural employment.

After several months of deliberations and consultations with numerous stakeholders, members of these subcommittees have prepared reports. Through public consultation, these draft recommendations are being presented to rural residents for discussion.

We thank you in advance for taking an interest in our current draft recommendations. We welcome your comments and suggestions before we make our submission to the Provincial government on these issues in the spring of 2005.

Summary of ACRE's Phase II Recommendations

Because we have drafted a total of 36 detailed recommendations, it is difficult to provide a summary, and we strongly encourage you to read all of the recommendations. This section is a general overview of the main policy issues that each of the four subcommittees has grappled with and addressed through their deliberations.

Business Development

In looking at ways to help rural entrepreneurs and businesses, the Subcommittee found an urgent need to rationalize the extraordinary number of programs and services / delivery agents, by the three levels of government and non-profit agencies, to increase the effectiveness of scarce resources. The subcommittee also found a need for increased availability of equity capital, which could be encouraged through the development of a special fund and changes to Saskatchewan's business tax laws.

Crown Lands Subcommittee

In its examination of Provincial-owned land, this subcommittee continuously faced the question, "Is Crown land being managed effectively?" The subcommittee's eight recommendations suggest ways the Provincial government can obtain the greatest economic impact from Crown land while maintaining resources for future generations. The subcommittee recommends that Crown land that is not held for important policy reasons be sold, or treated as a commercial asset.

Infrastructure Subcommittee

This subcommittee examined all types of physical and social infrastructure. The subcommittee found that uncertainty about the future of a community's infrastructure leads to investment being curtailed, people being reluctant to move to those communities, and those who are in or near the community seeking larger centres as places to retire. The subcommittee recommends that the provincial government commit to a coordinated strategy of guaranteeing infrastructure in a limited number of regional centers, thereby providing the certainty that those centres will thrive, and will be able to provide support to the surrounding region. Lack of that certainty will lead to a continuing spiral of depopulation in rural Saskatchewan.

Rural Employment

After examining the many issues related to rural employment, this subcommittee developed a small number of key messages: the Provincial government must create a friendly labour-business climate; we must improve our training system as it relates to preparing people for jobs in the trades; and we must further engage the Aboriginal population in the labour force.

The next sections of this paper outline some of the background information the subcommittees considered, and the 36 detailed recommendations the subcommittees have drafted for your input.

Business Development Subcommittee

Business development is a key aspect for the future of rural Saskatchewan. This subcommittee was created to focus on the tools, strategies and skills that entrepreneurs need to be successful in rural Saskatchewan. Throughout the course of its work, the group looked at several issues related to business development, including the challenges faced by new entrepreneurs and entrepreneurs working to expand their businesses. Some specific items the subcommittee examined were: access to expertise, government programs, business planning tools, availability of equity capital and infrastructure, education and training and attitudes toward success.

The subcommittee has developed nine detailed recommendations to achieve these ends.

1. Programs and Services

In examining existing programs and services available to rural entrepreneurs, the subcommittee found that there were more than 1,200 different business-related programs and services offered by different departments, branches and organizations funded by the three levels of government (federal, provincial, and municipal). Because there are so many programs, many are not sufficiently funded to be useful to those they are intended to serve. The existence of multiple delivery agents makes it difficult for entrepreneurs to choose the program most suitable for their situation. Many potential users are not aware of the numerous programs available. These efforts to build the economy of rural Saskatchewan have become an ineffective and wasteful use of scarce resources that are a vital part of encouraging economic development.

ACRE believes there is a need for all levels of government to coordinate economic development activities, and to create co-terminus boundaries for the delivery of these economic development services.

***Business Development* 1**

ACRE recommends that the Government of Saskatchewan work with the Government of Canada to create a Task Force that will:

a. Examine the programs and services offered for rural economic development from the three levels of government with the aim of reducing the number and improving the effectiveness of those programs and services, and;

b. Examine the rural economic development delivery system with the aim of eliminating the overlapping mandates and jurisdictions, and of improving the effectiveness of that delivery system.

2. Equity Funding

A report produced for ACRE by Doug Elliot and Ken Perlich in 2001 identified that over the next 20 years, an incremental investment of $40 billion would be required to build a vibrant economy in rural Saskatchewan. This amount of funding is simply not available under the current suite of investment funding in Saskatchewan.

***Business Development* 2**

ACRE recommends that the Government of Saskatchewan work with the Government of Canada to develop a substantial source of equity funding by implementing a Saskatchewan Equity Investment Tax Deferral Program, which will make any Saskatchewan resident or corporation who wishes to defer taxes eligible to invest in our Province's rural economic development.

3. Angel Investors

Angel investors are investors that provide funding to business start-ups or expansions. They are generally focused on specific sectors of the economy. Typically, angel investors operate through a broker or investment club, or venture capital funds that are already in operation.

In Saskatoon and Regina, Rural Economic Development Agencies (REDAs) have had discussions with other groups, both private and quasi-public about angel networks.

***Business Development* 3**

ACRE recommends that the Government of Saskatchewan encourage and provide support to Saskatchewan's economic development associations to examine the potential of an "angel" investment network to increase the equity funding available to rural Saskatchewan businesses.

4. Mentorship and Governance

ACRE has identified that entrepreneurs and community project proponents need better access to advice from their peers and a better understanding of the governance skills necessary for success to allow their businesses and projects to

be successful. Too many projects in rural Saskatchewan have failed because of a lack of these skills. Effective education and mentorship programs are needed.

***Business Development* 4**

ACRE recommends that the Government of Saskatchewan build on existing business groups, programs, and resources to create an effective network of leaders and mentors. As well, resources need to be provided that will ensure that community boards and entrepreneurs have access to the information necessary to implement effective governance systems.

5. Liquidity of Community Projects and Rural Businesses

Local investment is critical for many community projects and businesses. But many potential investors are unable or unwilling to commit fund for an indefinite length of time. ACRE has identified that this lack of liquidity is a significant deterrent to the raising of funds for community projects and businesses in rural Saskatchewan. The Financial Securities Committee has done a good job in easing the process by which these investments can be turned into shares which can be readily traded and turned into cash. However, more needs to be done to make people aware of that option, and an over-the-counter market to trade these shares still needs to be established.

***Business Development* 5**

ACRE recommends that the Government of Saskatchewan facilitate the initiatives necessary to improve the liquidity of investments in community projects and businesses in rural Saskatchewan.

6. Taxation Adjustments

ACRE has identified that some adjustments to taxation in Saskatchewan are needed to allow for the flow of new capital investment into the province's manufacturing and processing sector. Competitive tax rates are essential to an attractive investment climate.

Under the current system, PST is paid up front and rebated when income taxes are paid. This system raises the initial investment requirement. Changing

the rebate to an exemption would reduce the capital outlay required and promote more development.

The Corporate Capital Tax is assessed on a complex calculation of a corporation's capital, including debt and equity less various credits and deductions. Many provinces have eliminated taxes of this type, or are in the process of reduction. While Saskatchewan's Corporate Capital Tax deductible is the most generous among provinces with such a tax, larger corporations remain at a disadvantage.

Saskatchewan has the highest Corporate Income Tax in Canada, but rebates for manufacturing and processing sectors and proposed reductions for small businesses mean these sectors are or will be competitive.

***Business Development* 6**

ACRE recommends that the Government of Saskatchewan:

a. Replace the current tax credit program on capital purchases used for manufacturing and processing with a PST exemption program; and,

b. Develop and make a public plan for the systematic elimination of the Corporate Capital Tax and the staged reduction of the Corporate Income Tax to ensure Saskatchewan businesses can stay competitive with those in other provinces.

7. Improve Regulatory Approval Processes

ACRE has identified that the regulatory processes to receive approval for new business projects in rural Saskatchewan from the three levels of government are far too uncoordinated, time-consuming, burdensome, and unpredictable to allow effective economic development to occur. While concerns about the regulatory approval process have been raised many times in the past, ACRE continues to hear about the real problems that are encountered by project proponents.

ACRE commends the Saskatchewan Association of Rural Municipalities (SARM) for its recognition and attempt to reduce regulatory burdens. The Provincial government must also make a commitment, across departments, to address these concerns.

***Business Development* 7**

ACRE recommends that the Government of Saskatchewan simplify and develop an integrated approach (preferably a one-window contact) for the business development approval process from project conception through the start-up of an enterprise.

8. Affordable Business/Liability Insurance

ACRE has identified that some businesses and business sectors are unable to obtain affordable business and/or liability insurance. In meeting with stakeholders, ACRE learned that high premiums for eco-tourism and on-farm agri-tourism can be a barrier to economic development.

***Business Development* 8**

ACRE recommends that the Government of Saskatchewan mandate Saskatchewan Government Insurance (SGI) to aggressively develop the partnerships and the policies that will allow affordable insurance packages to meet the needs of Saskatchewan's rural businesses.

9. Support for the Proposed "Saskatchewan Works Fund"

ACRE has identified that there are many potential rural and agricultural developments that offer excellent investment opportunities, but do not fit existing funding mechanisms. Many existing funds require business plans with rates of return between 25 and 35 per cent, and allow for a return of funds in five years. Most rural and agricultural businesses need patient capital, and will generate returns between eight and 12 percent.

***Business Development* 9**

ACRE recommends that the Government of Saskatchewan provide seed money and facilitate the implementation of the "Saskatchewan Works Fund", as proposed by Saskatchewan Agrivision Corporation (SAC) and the Saskatchewan Federation of Labour (SFL), because this proposal recognizes the needs of rural businesses and will provide a source of capital investment for rural economic development that is not being met by other funding mechanisms.

ACRE Crown Land Subcommittee

The ACRE Crown Land subcommittee was charged with reviewing and making recommendations to government with respect to how Crown land can be used to facilitate economic activity in rural Saskatchewan.

The subcommittee proceeded with its work under the following guiding principles:

- The public's interest in ensuring sustainable Crown land management supersedes any individual allocation of a private benefit;
- Economic activity requires the allocation of private benefits in a manner that results in secure tenure;
- The rights associated with any disposition must be clearly spelled out and understood by the disposition holders, and;
- Crown land, under native vegetation, represents a valuable inheritance to future generations and must be managed accordingly. Crown retention is but one tool to achieve this.

In its examination of Provincial-owned land, this subcommittee continuously faced the question, "Is Crown land being managed effectively?" The subcommittee's eight recommendations suggest ways the Provincial government can obtain the greatest economic impact from Crown land while maintaining resources for future generations. In so doing, the subcommittee recommends that government review its Crown land holdings; dispose of those lands that no longer need to be retained for public purposes; and consolidate those that are important in order to consistently manage them for the public good.

1. Goals for Crown land

ACRE identified a lack of any overall goal or objective that provides any purpose for the Provincial government continuing to hold Crown land, or any rationale for how it is managed.

***Crown Land* 1**

ACRE recommends that the Government of Saskatchewan develop an overarching goal for Crown land management. The goal needs to address:

a. The purpose for holding Crown land;
b. The criteria for balancing economic, environmental, and social considerations; and,
c. The criteria for retaining or disposing of Crown land.

2. Crown Land Inventory

ACRE identified that Crown land is managed by a variety of different agencies, all of which have different mandates and procedures. Also, there are likely land types that no longer should be owned by the Crown.

Crown Land 2

ACRE recommends the Crown land inventory should be divided into two categories, based on land type and the overarching goal established respecting Crown land use. These two categories should be managed, according to the following:

a. Land that is deemed important to be retained by the Crown should be administered by one government agency mandated to use the land to facilitate economic activity while ensuring it is protected and preserved for future generations. Appropriate linkages must be coordinated with affected departments to ensure the management of the land meets broad government goals as mandated by the various departments. While some economies are expected through an amalgamation of the land holdings into one agency, adequate resources must be provided to the agency in order that the true potential of the portfolio can be achieved. Appropriate fees need to be developed for new initiatives that recognize the rights being disposed and the factors limiting use.

b. Land that is deemed surplus should be managed with a mandate to dispose of and obtain market value for the land. The time frame for disposal should recognize: existing agreements; revenue for government; the impact large blocks of land entering the market will have on land values; opportunities to meet conservation objectives through vehicles like conservation agreements; and, economic development opportunities.

3. Economic Diversification

ACRE identified that there are a number of opportunities for economic diversification that can occur on Crown land; however, these must be coordinated with existing lessee rights.

***Crown Land* 3**

ACRE recommends that the Government of Saskatchewan promote economic opportunities associated with non-traditional land uses, in particular where these uses can co-exist with others, ensuring that existing rights are not altered without appropriate compensation. A model to determine appropriate compensation needs to be developed that accounts for the actual impact of the new use on the existing use and an appeal mechanism put in place where the model does not adequately compensate the existing user.

4. Crown Land Management

ACRE recognizes the importance of proper land management in order to ensure this precious resource is maintained for future generations.

***Crown Land* 4**

ACRE recommends that the Government of Saskatchewan include clear processes in regulation to allow the land administering agencies to deal effectively with actions that result in, or have the potential to result in, ecological damage to the land. The processes need to be progressive and, where appropriate, provide opportunities for corrective action. However, they must also allow the agencies to deal with abuse effectively where the abuser fails to correct his/her approach and the land is at risk.

5. Integrated Resource Management

ACRE recognizes the importance of integrated resource management in resolving land use conflicts and while there has been a number of planning initiatives in the past few years, provincial interests have not been expressed consistently. As well, drawn out planning processes can impede development.

***Crown Land* 5**

ACRE recommends that the Government of Saskatchewan develop and adopt provincial integrated resource management planning standards that ensure the provincial interests are accounted for in regional and local planning exercises. Government also needs to ensure that the planning process is made as "proponent friendly" as possible in order to encourage economic development.

6. Understanding Rights Associated with a Crown Land Disposition

ACRE recognizes a general lack of understanding regarding the rights associated with a disposition of Crown land, by both holders of the disposition and the public at large.

***Crown Land* 6**

ACRE recommends that the Government of Saskatchewan incorporate into land use policies recognition of the rights associated with a disposition and communicate, with lease holders, in order to avoid confusion when additional rights are granted to other land users.

7. Treaty Land Entitlement

ACRE recognizes the importance of settling Treaty land entitlements with First Nations. Also, where these entitlements affect Crown land there is a general lack of understanding, by both First Nations and non First Nation people.

***Crown Land* 7**

ACRE recommends that the Government of Saskatchewan ensure contractual obligations to First Nations are honoured, including Treaty Land Entitlement (TLE) and Specific Land Claims. The commitments made to First Nations under these agreements, as well as commitments to third party interests (i.e. lease and permit holders) as they relate to TLE and Specific Land Claims, must be communicated in a way that enhances the understanding of both First Nations and non-First Nation people.

8. The Provincial Lands Act

ACRE recognizes the importance of an appropriate legislative framework in Crown land administration. Saskatchewan has one of the oldest Acts in Canada.

***Crown Land* 8**

ACRE recommends that the Government of Saskatchewan re-write the outdated *Provincial Lands Act* and regulations. The authorities contained in the Act need to be updated and modernized and the legislation needs to:

a. Account for all provincially owned Crown land;
b. Facilitate multi-use opportunities;
c. Facilitate non-traditional use opportunities;
d. Provide alternative disposition options (ie. licenses) that result in fewer rights being disposed of in some circumstances;
e. Provide authority to deal with mismanagement of land where the land is being harmed;
f. Require use of integrated resource management tools when making land use decisions;
g. Provide authority to dispose of lands that are deemed surplus to the Province's needs;
h. Provide authority to acquire lands that are deemed to be in the public interest;
i. Balance the disposition of private benefits with the overall public good;
j. Respect the rights allocated through a disposition and fairly compensate the holder of these rights when impacted by other dispositions;
k. Re-affirm the commitment of the Province to settle Treaty Land Entitlement (TLE) and Specific Land Claims; and,
l. Provide the flexibility to address future changes to land use needs.

ACRE Infrastructure Subcommittee

Certainty for Rural Saskatchewan

Introduction

Throughout the ACRE process, the availability of infrastructure and its impact on economic development in rural Saskatchewan has been an on-going concern. In response, ACRE established the Infrastructure Subcommittee in the summer of 2003 to develop broad policy recommendations on how to direct infrastructure resources to most efficiently and effectively encourage and support economic development in that area of Saskatchewan south of the northern forest region, excluding the cities of Regina and Saskatoon.

The Infrastructure Subcommittee set out to seek the most appropriate approach to providing infrastructure to rural Saskatchewan. Its mandate was to make recommendations for provincial government consideration as they relate to the development of policies that will maximize the economic development opportunities in rural Saskatchewan.

Any approach to infrastructure has to face the reality that rural Saskatchewan is a large geographic area with a relatively small population. Rural Saskatchewan's low population density has often meant there is no business or economic case to justify infrastructure. In a sense, providing infrastructure to rural Saskatchewan has been as much a social policy as an economic one. This means that Saskatchewan has traditionally used the equity approach to infrastructure development, giving everyone more or less equal access to the same level of infrastructure. The question facing us was this: can we continue to provide the financial resources to continue this policy, and is it effective?

The alternative is a more targeted approach, where resources are provided to areas where they are most needed and most beneficial, accomplished through support of existing and potential clusters and corridors of economic and social activity. This more targeted approach means more resources (financial and infrastructure) for some regions, and thus less for others.

We are keenly aware that this targeted approach, which ACRE favours, moves us away from Saskatchewan's tradition of providing services and infrastructure equitably across the province. Instead, it targets specific clusters, corridors and communities that have the greatest potential for growth.

The recommendations in this report are driven, to a large degree, by the need for certainty in rural Saskatchewan. The subcommittee heard that a lack of certainty about the future of communities in rural Saskatchewan, including the lack of certainty that basic infrastructure and services will be in place, is affecting

investment decisions, business startups, the willingness for professionals to relocate, and retirement decisions. This uncertainty leads to migration of investment dollars, families looking for employment opportunities, retirees seeking assurance of health services, and others, to a handful of the larger cities in Saskatchewan, continuing the 50-year trend of depopulation of rural Saskatchewan.

Many in Saskatchewan continue to be passionate about rural life, whether on farms, or in small communities and smaller cities. But that passion gives way to reality when there is no certainty that basic infrastructure will continue to be in place within reasonable distance.

Concepts for basic structural change in rural Saskatchewan are often met with emotion-based arguments and political rhetoric. ACRE may be one of few broad-based, politically-neutral organizations, one without a vested interest, that can provide the background and forum for a fact-based discussion about the nature of infrastructure development in rural Saskatchewan.

An objective examination of this report, we trust, will conclude that the recommendations are not intended to diminish communities, but that they set out a plan to create strong centres of economic and social activity throughout rural Saskatchewan.

The provincial government is called on to commit to infrastructure support in a defined number of regional centres. With a commitment of support for these centres, there will be certainty that jobs, goods, services and infrastructure will be available to the entire region. Much of the critical infrastructure will be available primarily in the regional centre, but within a reasonable travel distance for others in the region. A strong centre, however, will also create opportunities to develop and expand infrastructure, such as water distribution, waste water treatment and refuse collection, to other communities in the region, where it may not be feasible or affordable to provide that on individual bases.

Without a strong regional centre, entire regions will suffer a lack of both government and private infrastructure. Residents of rural Saskatchewan may well end up having to commute to one of a dozen or fewer large cities, as the long-term trend of depopulation and consolidation continues to the detriment of large areas of rural Saskatchewan.

For the purposes of our work, infrastructure includes both economic and social infrastructure (sometimes referred to as hard and soft infrastructure). Economic or hard infrastructure includes transportation, water and sewer, natural gas, power and telecommunications. Social or soft infrastructure, in our work, includes the bricks and mortar components of health care, education and recreation, without which those services cannot be provided.

Stakeholder Participation and Research

To examine the options of equity and targeted approaches, we met with stakeholders who were either infrastructure providers, had an impact on infrastructure decisions, or were strongly affected by infrastructure policy. The list of stakeholders is in Appendix A. We felt it was important not only to meet with the traditional infrastructure stakeholders, such as crown corporations and the government departments providing hard infrastructure, but also with stakeholders who provide social infrastructure, such as the educational and health authorities and arts and tourism communities. We believe that social infrastructure plays an important but unsung role in economic development.

We also met with a number of community leaders (Appendix A) who use a regional approach to municipal infrastructure development. Community-based groups that are cooperating on regional infrastructure projects gave us valuable insight into the potential of a regional approach to infrastructure provision.

We also undertook an extensive literature review on recent developments in rural economic development policy and the role that infrastructure plays in this development. The research focused on Canadian and American rural infrastructure policy.

Development of the Vision

On the completion of the consultation process, we compiled an inventory of relevant facts pertaining to the situation currently in place in rural Saskatchewan. Among the current key conditions are the following:

- For the past century, there has been an expectation among Saskatchewan's residents that everyone in the province, regardless of location, is entitled to an equitable level of infrastructure at a reasonable cost. Until quite recently, these expectations have generally been met, whether it was rural electrification, provision of natural gas to farms, land telephone lines or the extensive provincial highway and municipal road network;

- Fiscal pressures at all levels of government mean the province has limited resources to build new infrastructure, and maintain existing infrastructure. Deregulation and the move toward a business case or user-pay model have meant that crown corporations no longer have the resources or the regulatory permission to provide infrastructure in the universal manner at a reasonable cost;

- Saskatchewan is a large province with a small population scattered across a wide area. Saskatchewan has a large rural population, with more than 35 per cent of its population classified as rural, compared to 28 per cent in Manitoba

and 19 per cent in Alberta.[1] The population distribution of Saskatchewan significantly increases the cost of providing infrastructure, especially to rural areas. Comparison to neighbouring provinces are often made, but in Alberta, 72 per cent of the population lives in the three Census divisions encompassing the Highway 2 corridor from Calgary to Edmonton, and in Manitoba 67 per cent of the population lives in Winnipeg and surrounding areas.[2] In contrast, approximately 43 per cent of Saskatchewan's population is in the two Census Metropolitan Areas (CMA) of Regina and Saskatoon. Concentrations of population make the provision of infrastructure considerably easier and more economical;

- Fiscal pressures, deregulation and the slow but continuing decline in rural population and economic activity is creating uncertainty about the future of infrastructure in rural areas. This uncertainty hampers private investment in rural Saskatchewan, because investors are unsure whether the infrastructure that is necessary for economic and social development will be there for the long term. Private investors require assurance that their investments are safe and will earn a return in the future. The lack of certainty about infrastructure in rural Saskatchewan leads to investment in the major cities, where there is greater likelihood that the necessary infrastructure will be in place to enhance economic and social activity. An observation from Ken Hamilton, a resident of Assiniboia, sums up what the lack of certainty is doing to the potential of his community:

  > *"Historically, Assiniboia has been the regional centre for south central Saskatchewan. Many people from the surrounding farms and smaller centres who were planning to retire traditionally chose Assiniboia as the place to retire to, when the time came. Many people are now choosing to retire into Moose Jaw as they are concerned about the future operation of health care facilities in Assiniboia. They know that if they retire into Moose Jaw there will be health care facilities available for as long as they need them. However, in their mind, there is no such guarantee in Assiniboia. Towns like Assiniboia need to know with some certainty, what facilities are going to be available into the future. Uncertainty leads to a loss of people and unwillingness for entrepreneurs to make business investments."*

- Our discussions with stakeholders brought out the common theme that there is no coordinated government-wide strategy and direction for the provision of social and economic infrastructure. It appears government departments and crown corporations each have their own business plan and in most cases build their infrastructure independently from each other;

[1] See Complete Report, Appendix C, table 1.
[2] See Complete Report, Appendix C, tables 2, 3 and 4.

- The decline in the number of farms and farm population and the subsequent reduction in services required in rural Saskatchewan brought about a decline in the rural population over the past 50 years.[3] The advent of better roads and better vehicles has meant people are able (and largely willing) to travel further for employment and services. Concurrently, there has been a decline in the population of a large number of rural towns and villages as the services provided by these communities were no longer sought or used by the rural residents. While the vast majority of rural communities have declined significantly over the last 50 years, a number of larger communities have been able to maintain their population and a significant number of services, thereby becoming larger service centres;[4]

- These larger service centres have not only become the focal point of the region for the supply of services, but also for employing residents of the surrounding region.[5] The regional centres have become the most popular places in which to retire because of the certainty that a range of services will be available;

- In today's economy, a critical mass of infrastructure, labour supply, amenities (including cultural and recreational) and services are necessary to attract people and businesses. These are generally available only in these larger regional centres;

- There is a perception in rural Saskatchewan that there will be a further decline in infrastructure such as hospitals and schools, leading to high levels of uncertainty, which can only be changed by government making a long term commitment to provide infrastructure in rural Saskatchewan;

- A long term commitment to infrastructure in regional rural centres will result in more certainty, which will provide an incentive for the private sector to invest in rural Saskatchewan. More private investment should mean more jobs and economic activity;

- Given the limited resources, the provision of infrastructure in the larger regional centres means there will be less infrastructure investment in other rural communities. Decisions based on strategic investment means that dollars are spent where they offer the best overall long term benefit for the communities and the province;

- People travel significant distances (up to an hour) to commute to jobs and to access services. If the regional centres grow and prosper as a result of increased investment, people living in communities outside the regional centre will also benefit. There will be more jobs available for those within

[3] See Complete Report, Appendix C, table 5
[4] See Complete Report, Appendix C, table 6
[5] See Complete Report, Appendix C, table 7

commuting distance. As the regional centres grow, the variety and level of services will also increase. This will benefit the communities in the vicinity of the regional centre, since individuals in these communities will continue to have access to goods and services within a reasonable commuting distance. If the regional centre declines because of the lack of infrastructure and business investment, residents of nearby smaller communities will not have employment opportunities and will not have services, which will lead to a spiral of decline.

Following a fact and opinion-finding process, the subcommittee developed a series of successive statements. About each, the following questions were asked: "Is this statement true? If not, then what statement can we substitute that is true? If it is true, then does the next statement follow logically?"

There are many emotional and political arguments that can be made in regard to these statements, but in the interest of an honest examination of the issues, we trust that recognition of reality will prevail. To provide the greatest benefit to the greatest number of people in Saskatchewan, we must operate from a basis of logic, recognizing that some of the consequences will elicit highly emotional responses.

We trust that these statements will be examined from a logical perspective, rather than from an emotional or political one:

- Social and physical infrastructure in Saskatchewan has traditionally been provided on an equity basis.
- Government resources (including crown corporations) for maintaining and expanding infrastructure are limited.
- Saskatchewan's rural population is widely scattered over a large geographic area with few concentrations outside Regina and Saskatoon.
- There is a lack of certainty in rural Saskatchewan about the province's ability to sustain social and physical infrastructure in this large geographic area.
- There is no clearly discernable government-wide strategy and direction for economic and social infrastructure development.
- Individuals and businesses need to be convinced of the government's long-term commitment to the future of infrastructure in rural Saskatchewan in order to make investments in communities outside Regina and Saskatoon.
- Two to three dozen larger communities have been able to sustain themselves, and experience very moderate growth, in recent years.

- These larger communities have, over the course of the past several decades, become service centres for an increasingly-larger region as rural residents have become more mobile.

- Until now these service centres have had sufficient labour supply, services and amenities necessary to keep and attract businesses and people.

- Generally these service centres have the greatest potential for growth and economic development in rural Saskatchewan.

- A provincial strategy that provides a greater degree of certainty for regional service centres will send signals to the private sector and encourage investment.

- Focusing infrastructure development in a limited number of larger regional centres means other communities will be receiving a diminished level of infrastructure in the future, given the limited resources available in government.

- If regional centres attract investment, other communities within their region will benefit by keeping and attracting residents as people commute to their regional centre for jobs and services.

- If the regional centre does well, the region will do well and the communities within the region will likewise do much better.

- We believe these statements to be a logical progression, leading to a logical conclusion which gives rise to the recommendations that follow.

Recommendations for Infrastructure Development in Rural Saskatchewan

The provision of infrastructure in Saskatchewan has traditionally followed the equity model approach with the underlying notion that we need to save every community. Consequently, resources have been spread widely but thinly across the province. Instead of building a significant number of strong regional centres, the lack of critical mass in most smaller communities means that growth and development have largely gravitated to Regina, Saskatoon and a handful of larger cities. In trying to save every community, we have saved very few.

By focusing on regional centres, we can achieve a critical mass of population, services and infrastructure to enhance economic development for the regional centre, and for the surrounding region as well. If the regional centre does well, other communities in the region will benefit through stable population and the availability of jobs and services within the region.

To secure a future for rural Saskatchewan, we need to ensure there are strong centres of economic and social activity outside Regina and Saskatoon. The number of such centres needs to be limited so that government can provide the infrastructure for the centres, and the region, to grow.

We have only two choices:

- Build on the strengths of the regional centres, for their benefit and the benefit of the surrounding region; or
- Continue to slide into widespread mediocrity by disbursing our limited resources thinly over the entire province.

Our vision for rural Saskatchewan is a network of strong communities that serve as social and economic centres for their region. They will strengthen their surrounding region by providing employment opportunities and ensuring the supply of a wide variety of services for those who live on farms and in the smaller communities within the region. With strong regional centres that have assurance of infrastructure, possibilities are also created to extend certain critical infrastructure to other nearby communities.

To achieve this vision, the subcommittee makes three recommendations. We recognize that strong political and emotional arguments can be made to promote alternative points of view. We also recognize that the notion of equity, and expectations of entitlement, remains strong in rural Saskatchewan. Changes in recent years to a more cluster-based approach (especially in health care and education) and greater implementation of user-pay (such as the provision of telecommunications connections), has met with resistance and concern from rural residents.

Fiscal pressures, changing demographics, and large-scale changes in the agricultural economy means a return to the equity model is neither feasible nor a wise use of the province's limited resources. Our recommendations focus on the future.

Implementing what we feel are absolutely crucial changes in infrastructure provision in rural Saskatchewan will require bold leadership. These recommendations confront and challenge the unrealistic expectations of many residents about the provision of infrastructure. The need to bring leadership to this issue brings to mind a quote from Winston Churchill during the Second World War:

> *"There is no worse mistake in public leadership than to hold out false hopes soon to be swept away. ...[people] can face peril or misfortune with fortitude and buoyancy. But they bitterly resent being deceived or finding that those responsible for their affairs are themselves dwelling in a fool's paradise."*[6]

[6] Meacham, Jon, "D-Day's Real Lessons: War Leadership Takes More Than Resolve and Rhetoric." Newsweek, May 31, 2004, page 48.

***Infrastructure* 1**

ACRE recommends that the Government of Saskatchewan adopt a strategy to support infrastructure in a defined number of regional centres.

The subcommittee believes that a labour force of sufficient size is the critical factor in determining the future prospects for economic growth. Firms locating in a community, whether they are local start-ups or firms moving into the community, need a labour pool in order to meet current and future needs. Generally, communities with at least 1,000 people in the labour force have a population that is large enough to attract and sustain a reasonable level of services and amenities that entice people to live in these communities. These communities have the critical mass of labour, population, services and amenities that give them the potential to grow and expand.

Using criteria that take into account labour force and existing levels of services, we see between 26 and 32 such centres outside Regina and Saskatoon. These communities, and an area surrounding them within a one-hour driving distance (80 kms), account for approximately 95 per cent of the population south of the tree line (including the populations of Regina and Saskatoon).

The communities that meet those criteria and fall in that range will not come as a surprise to anyone in rural Saskatchewan. Most are already seen as regional centres because of shopping patterns, existing infrastructure and sphere of influence. Rural residents, by their actions and choices, have made these communities their centres for services and employment.

The provincial government must commit to providing a high level of infrastructure to these centres for the long-term. A long-term commitment to these regional centres will provide the certainty that is required for the private sector to make investments, which will create economic activity and employment in both the regional centre and the surrounding communities. Committing to infrastructure in these communities not only provides certainty to investors, but confirms the reality of what is already happening in rural Saskatchewan.

With respect to other communities, we are not suggesting that infrastructure be physically removed where it now exists. Social infrastructure, such as health care and education, must provide the best quality of service on a regional basis. However, in the future, communities which are not regional centres may forego infrastructure renewal unless it can be rationalized within a regional context.

We suggest that there are a number of communities in the province that already serve as regional centres. We make this recommendation based on the concept that the regional centres need to be clearly defined. The number of such centres,

and the criteria to be applied to determine them, will require more detailed examination than was within the capabilities of our subcommittee.

This recommendation is made with the full recognition that there must be flexibility in providing infrastructure outside the regional centres in such areas and industries as the irrigation area around Lake Diefenbaker, the oil and mining industry, intensive livestock operations, tourism, and First Nations developments.

These areas and industries have significant economic development potential and will need infrastructure to ensure that this potential is met. In addition, there will be communities that may show significant growth in the future, and will need more infrastructure to continue that trend.

First Nations are becoming increasingly active in generating development on reserve land in rural Saskatchewan. Those developments have wide public impact but often are located outside regional centres.

A strategic approach will ensure that projects, industries and communities with the greatest potential will be at the top of the list for infrastructure.

We are also of the view that discretionary funds, such as those provided by lotteries, should continue to be available to communities that are not regional centres, so that recreational and cultural activities these funds typically support will continue to be available.

Communities are free to undertake projects that are entirely self-funded for the life of the project. If the community is prepared to provide the resources, and there is a clear recognition that there will not be provincial government support in the future, communities should be free to spend their own money.

The recommendation to concentrate infrastructure in a defined number of regional centres might lead people to point to success stories in a number of small communities, and suggest that by limiting the location of infrastructure these success stories will be precluded from taking place again.

It is important to note that single-enterprise communities, many of which were featured in *Don't Turn Out the Lights*[7], do not necessarily constitute a regional centre. Such enterprises are most often the result of efforts by a single person, family, or small group. There is ample evidence that many of those enterprises are not sustainable within their community in the long term:

- The founder(s) die, without a solid succession plan in place, leading to the demise of the company;

[7] Scholz, Al, Don't Turn Out the Lights: Entrepreneurship in Rural Saskatchewan, Saskatchewan Council for Community Development, 2000.

- The business grows to the point where it needs to move to a larger centre in order to have a source of labour, transportation or supply;
- The business is sold, and the new owners merge it with existing operations in larger centres, or move to a larger centre because they do not have an attachment to the "quaint" location;
- The business grows and moves from entrepreneurial management to professional management, which often requires a location with more amenities than can be offered by a small community.

Such enterprises should be encouraged, but public investment in infrastructure must be rationalized on the basis of a direct return on investment (tax revenue and other tangible returns). In most cases a significant portion of the cost of services should be borne by the single benefactor of the infrastructure.

Infrastructure 2

ACRE recommends that the Government of Saskatchewan ensure a high level of co-ordination for the implementation of this strategy.

This strategy absolutely requires that all government departments and crown corporations work together to ensure that the provision of infrastructure in rural Saskatchewan is carried out in a coordinated and strategic manner.[8] A change from an equity-based to a strategy-based approach to infrastructure provision means that coordination of departments and crown corporations responsible for infrastructure provision is critical. If we are going to concentrate infrastructure at strategic locations to maximize the provision of services and economic development, not having all the necessary infrastructure in place at the right time will lead to failure.

During the course of the subcommittee's deliberations, it heard from many sources inside and outside government that there appears to be no discernable economic development strategy for the province, and that there is no coordinated or central strategy for the provision of infrastructure in rural Saskatchewan. Generally, each department or crown corporation has its own business plan for building and renewing infrastructure. There are several examples of this lack of coordination, including:

- In the irrigation area surrounding Lake Diefenbaker, there was a lack of a coordinated strategy to develop both the water and highway infrastructure at the same time. As a result, the development of the irrigation industry was hampered and its full potential has not been realized.

[8] Work done previously by ACRE included a number of recommendations that dealt with the need for more interdepartmental cooperation within government.

- The province has spent significant funds building excellent facilities in a number of parks throughout the province. However, in some cases, the lack of coordination within government has meant that poor road access has discouraged tourists from using these facilities.

***Infrastructure* 3**

ACRE recommends that the Government of Saskatchewan adopt a regional approach to infrastructure development.

A number of infrastructure projects have the potential to be regional in nature, where two or more communities in a region work together to provide infrastructure for such services as water and waste water treatment, landfills, transportation, tourist and culture facilities and others. Where projects can benefit several communities and thereby realize potential savings, the provincial government should only participate in funding if the project is approached on a regional basis. Communities seeking funds for stand-alone projects must be directed to seek out nearby partners to ensure regional co-operation and benefits.

A regional approach offers a number of advantages, including economies of scale through which infrastructure can be provided at a lower cost to a larger number of people. Given the limited resources available to the province, it makes little fiscal or practical sense to fund separate community-specific projects when a regional approach will be more economical and efficient.

Rural Employment Subcommittee

This subcommittee was created to provide recommendations to enhance employers' abilities to create employment opportunities in rural Saskatchewan.

There are many potential issues to explore in this area. After much deliberation, and meeting with several stakeholders from many divergent areas of the rural economy, the subcommittee limited its focus to:

- Improving competitiveness of rural employers by enhancing core skills of management and labour;
- Providing rural Saskatchewan with reasonable access to post-secondary, technical, and professional training and development;
- Providing mechanisms to engage Aboriginal and in particular Aboriginal youth in rural development and employment initiatives;
- Encouraging new Saskatchewan residents to live in rural Saskatchewan by promoting the benefits and providing adequate support services; and,
- Fostering a harmonious labour relations climate.

After examining this issue, the subcommittee developed a small number of key messages: the Province must create a friendly labour-business climate; we must improve our training system as it relates to preparing people for jobs in the trades; and we must further engage the Aboriginal population in the labour force.

In its research, the subcommittee found that between1996 to 2003, Saskatchewan had the lowest employment growth of all provinces. While Canadian employment grew by 17 per cent, Saskatchewan employment grew by only 6.5 per cent during this period. Although rural depopulation is occurring everywhere, Saskatchewan is the only province that registered a decline in rural employment between 1996 and 2003. The subcommittee suggests 16 recommendations to respond to the opportunities and challenges Saskatchewan is facing: an aging work force which will may result in a future labour shortage, a growing Aboriginal population (with more than half of the Aboriginal population less than 24 years of age), labour market challenges in skilled trades, and the perception of labour/business relations climate in Saskatchewan.

1. Business Friendly Employment Environment

ACRE believes that it is appropriate to promote a harmonious labour relations climate and to foster effective labour management cooperation in support of economic development, and the social well being of Saskatchewan.

***Rural Employment* 1**

ACRE recommends that the Government of Saskatchewan establish a Labour-Business Council, which would focus on private sector labour issues including those in rural Saskatchewan:

a. **The council would be made up of 6 representatives recommended by the Saskatchewan Chamber of Commerce who would then appoint a co-chair, and 6 representatives recommended by the Saskatchewan Federation of Labour, who would then appoint a co-chair.**

b. **Functions would include an evaluation of the manner in which the legislation is functioning, the identification of problems and recommendations for legislative amendments.**

c. **It is important that each organization be allowed to assign the representatives without obtaining consensus from Government or from the other party.**

d. **The committee would start with "big picture" discussions to develop a relationship and build trust. They would then move to discuss more controversial issues.**

2. Apprenticeship Training

ACRE has identified a shortage of apprentices in certain trades, and has heard from stakeholders that the system does not have adequate capacity.

***Rural Employment* 2**

ACRE recommends that the Government of Saskatchewan improve access to apprenticeship training in rural Saskatchewan by introducing a program similar to Alberta's Registered Apprenticeship Program (RAP is a special program that allows students to get started on an apprenticeship during high school and get paid for their apprenticeship work).

ACRE has identified that the length of time taken for apprentices to receive federal Employment Insurance benefits when on education leave is an issue.

***Rural Employment* 3**

ACRE recommends that the Government of Saskatchewan press the federal government speed up the time taken for apprentices to receive Employment Insurance benefits when on education leave.

ACRE has identified that a tax credit program for apprentices could increase the capacity of the apprenticeship system.

***Rural Employment* 4**

ACRE recommends that the Government of Saskatchewan establish an apprenticeship training tax credit that would encourage employers to hire and train apprentices in certain skilled trades. The proposed credit would refund 25 per cent of salaries and wages to an eligible apprentice. Employers would qualify for a credit of up to $5,000 per eligible apprentice per year, with a $15,000 maximum over 3 years per employee.

ACRE has identified that the number of Aboriginal apprentices has increased significantly in recent years, but more needs to be done.

***Rural Employment* 5**

ACRE recommends that the Government of Saskatchewan provide further funding and that the Apprenticeship and Trade Certification Commission expand its efforts to recruit and train Aboriginal apprentices.

ACRE has identified that matching potential employees to opportunities would help those wanting to enter the trades and apprenticeship training to find an employer willing to sponsor them. It would also link students in pre-employment program with employers once they complete their technical training.

***Rural Employment* 6**

ACRE recommends that the Government of Saskatchewan create a trade job bank that matches potential employers and/or sponsors with interested employees/students.

ACRE has identified that current apprenticeship rules in some cases require employers to have a ratio of one tradesperson to one apprentice. This is a hardship for small businesses.

***Rural Employment* 7**

ACRE recommends that the Government of Saskatchewan increase flexibility in compulsory training ratios related to apprenticeship certification for rural and small businesses.

3. Funding for Trades Training

ACRE has identified that increased funding is needed for SIAST and the Regional Colleges to ensure adequate trades training.

***Rural Employment* 8**

ACRE recommends that the Government of Saskatchewan place a renewed emphasis on training for the trades, and enhance trade learning by providing more funding for SIAST and the Regional Colleges.

4. Access to Enhanced Skills Training

ACRE has identified that the current system is not adequately responsive to the needs in rural Saskatchewan. For various reasons some people are unable to travel to major centres for training. Further, when people do go to major centres for training, many do not return to work in rural areas. There is a concern that Regional Colleges are not set up to adequately respond to needs identified in rural areas, often due to a lack of funding. As well, the specific needs of Aboriginal communities and youth need to be addressed. Aboriginal people have specific mobility needs that make rural delivery even more vital.

***Rural Employment* 9**

ACRE recommends that the Government of Saskatchewan increase the in-community rural delivery of various types of training through the Regional Colleges, SIAST, universities, and other means. New delivery options for rural Saskatchewan need to be explored that provide for both theoretical and practical training. Additional funding would be required to fund additional training in rural Saskatchewan.

ACRE has found that there is an inadequate knowledge of career optionsand training availability. In particular, specific attention must be paid to career options for Aboriginal people.

***Rural Employment* 10**

ACRE recommends that the Government of Saskatchewan require primary schools to begin career counseling in grade school to increase awareness of careers (especially trades) and understanding of training choices, and require secondary schools to enhance career development and counseling services.

ACRE realizes that today's Aboriginal population is an important component of tomorrow's workforce.

***Rural Employment* 11**

ACRE recommends that the Government of Saskatchewan make further efforts to build relationships between Aboriginal individuals, communities and groups, involved governments and the educational institutions to provide adequate opportunities for Aboriginal students. More must be done to respond to the training needs and initiatives of Aboriginal people.

ACRE has identified a lack of funds for the delivery of Basic Education in rural Saskatchewan. Basic Education is upgrading, to allow those who have left school to complete a grade 12 education. An increase in funding for basic education with a set amount targeted to rural areas could lower wait times. The Provincial Training Allowance provides funding to learners while they receive Basic Education.

***Rural Employment* 12**

ACRE recommends that the Government of Saskatchewan increase Basic Education programming and the Provincial Training Allowance to enroll more students in Basic Education.

5. Immigration

ACRE has identified that there are worker and skill shortages in some areas and more are anticipated in the future. Immigrants can meet some of these needs.

While the Migrant Worker Program is working very well, there is potential to expand the program to include other industries with seasonal labour requirements. Manitoba is an example of a province that has taken a more aggressive approach to immigration.

***Rural Employment* 13**

ACRE recommends that the Government of Saskatchewan substantially expand the existing programs (Saskatchewan Immigrant Nominee Program and Migrant Worker's program) in response to identified skill and worker shortages.

***Rural Employment* 14**

ACRE recommends that the Government of Saskatchewan continue ongoing identification of employer skill requirements and labour shortages.

Once immigrants come to Saskatchewan, more or better follow up is required.

***Rural Employment* 15**

ACRE recommends that the Government of Saskatchewan enhance cultural and other support mechanisms for immigrants, such as: language, settlement funding, and recognition of foreign credentials.

***Rural Employment* 16**

ACRE recommends that the Government of Saskatchewan enhance the promotion of immigration programs to employers and immigrants.

ACRE Subcommittee Members

Business Development Subcommittee

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Everett Bear
Colleen Bilokreli
Joan Chase
Joan Corneil
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Lorne Johnson
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Rural Employment Subcommittee

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Infrastructure Subcommittee

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